


# Celebrating New Asia

DBS Bank Ltd., India Annual Report 2010 - 11




DBS. Living, Breathing Asia

DBS

## Our Corporate Values

- Passionate & Committed
- Value Relationships
- Integrity & Respect
- Dedicated to Teamwork
- Confidence to Excel

DBS acknowledges the passion, commitment and can-do spirit
in all of our 15,000 plus staff, representing over 30 nationalities.

Asia continues to scale new heights. Strong economic growth, domestic-driven consumption and massive wealth creation are fuelling Asia's newfound strength.

DBS is uniquely placed to deliver banking the Asian way. As a bank that specialises in Asia, we leverage our deep understanding of the region, local culture and insights to serve and build lasting relationships with our clients. DBS provides the full range of services in corporate, SME, consumer and wholesale banking activities across Asia and the Middle East. We are committed to expanding our pan-Asia franchise by leveraging our growing presence in mainland China, Hong Kong and Taiwan to intermediate the increasing trade and investment flows among these markets. Likewise, we are focused on extending our end-to-end services to facilitate capital flows within fast-growing countries such as Indonesia and India.

Headquartered in Singapore, DBS is one of the largest financial services groups in the region, with an expanding network of over 200 branches across 15 markets. We are a well-capitalised bank with "AA-" and "Aa1" credit ratings that are among the highest in the Asia-Pacific region. We were named by Global Finance as the "Safest bank in Asia" for both 2009 and 2010.

Together, we celebrate the rise of New Asia and seize the opportunities before us. This is Asia's time, this is Our time.

# Financial Statements together with Auditors' Report for the year ended 31 March 2011

# Auditors' Report

The Chief Executive Officer
DBS Bank Ltd., India

1. We have audited the attached balance sheet of DBS Bank Ltd., India ('the Bank') as at 31 March 2011 and the related profit and loss account and the cash flow statement of the Bank for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit of the Bank and its branches in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The balance sheet and profit and loss account have been drawn up in accordance with the provisions of section 29 of the Banking Regulation Act, 1949 read with the provisions of sub sections (1), (2) and (5) of section 211 and sub section (5) of section 227 of the Companies Act, 1956.
4. In our opinion, and to the best of our information and according to the explanations given to us, the financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
   - In the case of balance sheet, of the state of affairs of the Bank at 31 March 2011;
   - In the case of the profit and loss account, of the profit for the year ended on that date; and
   - In the case of the cash flow statement, of the cash flows for the year ended on that date.
5. Further, in our opinion, the accompanying balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the Accounting Standards, referred to in sub section 3(C) of section 211 of the Companies Act, 1956, to the extent they are not inconsistent with the accounting policies prescribed by the Reserve Bank of India.
6. We further report that:
   a) we have obtained all information and explanations, which to the best of our knowledge and belief were necessary for the purpose of the audit and found them to be satisfactory;
   b) the financial accounting systems of the Bank are centralised and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches;
   c) the transactions which have come to our notice have been within the powers of the Bank;
   d) in our opinion, the Bank has maintained proper books of account as required by law insofar as appears from our examination of the books;
   e) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
   f) in our opinion, and to the best of our information and according to explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required for banking companies and guidelines issued by the Reserve Bank of India from time to time; and
   g) the requirements of section 274 (1) (g) of the Companies Act, 1956 are not applicable considering the Bank is a branch of DBS Bank Ltd., which is incorporated with limited liability in the Republic of Singapore.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

**Akeel Master**
Partner
Membership No: 046768

**Place:** Mumbai
**Date:** 12 May 2011

# Balance Sheet
as at 31 March 2011

(Currency: Indian rupees in thousands)

| | Schedule | **As at 31 Mar 2011** | As at 31 Mar 2010 |
|---|---|---|---|
| **CAPITAL AND LIABILITIES** | | | |
| Capital | 1 | **9,518,321** | 9,518,321 |
| Reserves and Surplus | 2 | **8,459,458** | 7,187,196 |
| Deposits | 3 | **73,680,126** | 66,370,594 |
| Borrowings | 4 | **107,075,135** | 70,912,401 |
| Other liabilities and provisions | 5 | **38,728,105** | 33,439,818 |
| **Total** | | **237,461,145** | 187,428,330 |
| **ASSETS** | | | |
| Cash and balances with Reserve Bank of India | 6 | **4,704,069** | 5,369,063 |
| Balances with banks and money at call and short notice | 7 | **12,110,424** | 6,060,066 |
| Investments | 8 | **103,130,905** | 100,862,522 |
| Advances | 9 | **75,522,030** | 40,151,990 |
| Fixed Assets | 10 | **378,520** | 272,549 |
| Other Assets | 11 | **41,615,197** | 34,712,140 |
| **Total** | | **237,461,145** | 187,428,330 |
| Contingent Liabilities | 12 | **3,334,994,683** | 1,876,440,810 |
| Bills for collection | | **28,422,331** | 8,878,222 |
| Significant accounting policies and notes to accounts | 18 | | |

Schedules referred to herein form an integral part of the Balance Sheet

As per our report of even date

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

**Akeel Master**
Partner
Membership No: 046768

**Place:** Mumbai
**Date:** 12 May 2011

For **DBS Bank Ltd., India**

**Sanjiv Bhasin**
General Manager and
Chief Executive Officer

**Place:** Mumbai
**Date:** 12 May 2011

**Yazad Cooper**
Chief Financial Officer

# Profit and Loss Account

for the year ended 31 March 2011

(Currency: Indian rupees in thousands)

| | Schedule | **Year ended 31 Mar 2011** | Year ended 31 Mar 2010 |
|---|---|---|---|
| **INCOME** | | | |
| Interest earned | 13 | **10,658,608** | 8,798,059 |
| Other income | 14 | **961,357** | 1,548,708 |
| **Total** | | **11,619,965** | 10,346,767 |
| **EXPENDITURE** | | | |
| Interest expended | 15 | **5,907,902** | 3,176,010 |
| Operating expenses | 16 | **2,725,766** | 1,677,218 |
| Provisions and contingencies | 17 | **1,714,035** | 2,793,262 |
| **Total** | | **10,347,703** | 7,646,490 |
| **PROFIT** | | | |
| Net Profit for the year | | **1,272,262** | 2,700,277 |
| Profit brought forward | | **2,341,923** | 1,905,977 |
| **Total** | | **3,614,185** | 4,606,254 |
| **APPROPRIATIONS** | | | |
| Statutory Reserve | | **318,066** | 675,069 |
| Appropriation to / (Redemption from) Investment Reserve Account | | **-** | (117,208) |
| Capital retained in India for CRAR purposes | | **2,130,000** | 1,706,470 |
| Balance carried over to balance sheet | | **1,166,119** | 2,341,923 |
| **Total** | | **3,614,185** | 4,606,254 |

Schedules referred to herein form an integral part of the Profit and Loss Account

As per our report of even date

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

**Akeel Master**
Partner
Membership No: 046768

**Place:** Mumbai
**Date:** 12 May 2011

For **DBS Bank Ltd., India**

**Sanjiv Bhasin**
General Manager and
Chief Executive Officer

**Place:** Mumbai
**Date:** 12 May 2011

**Yazad Cooper**
Chief Financial Officer

# Cash Flow Statement

for the year ended 31 March 2011

(Currency: Indian rupees in thousands)

| | | Year ended 31 Mar 2011 | Year ended 31 Mar 2010 |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Net Profit before taxation and extraordinary items | | **2,272,499** | 4,620,062 |
| Adjustments for: | | | |
| Depreciation on Fixed Assets | | **135,763** | 128,955 |
| (Profit) / Loss on sale of Fixed Assets | | **474** | (305) |
| Provision on Standard Assets/Derivatives | | **47,841** | 79,980 |
| Provisions for Depreciation on Investments | | **75,915** | 463,270 |
| Bad Debts Written Off | | **360,926** | 136,045 |
| Other Provisions | | **6,343** | (4,885) |
| Provision for Non Performing Assets | | **240,570** | 199,067 |
| **Operating Profit before Working Capital changes** | | **3,140,331** | 5,622,189 |
| (Increase) in Investments | | **(2,344,297)** | (23,219,167) |
| (Increase) in Advances | | **(35,971,537)** | (13,258,634) |
| (Increase) in Other Assets | | **(6,733,295)** | (1,903,147) |
| Increase in Deposits | | **7,309,532** | 22,897,773 |
| Increase in Other liabilities and provisions | | **5,234,103** | 521,433 |
| Increase in Borrowings | | **22,534,936** | 6,723,543 |
| Income Tax Paid | | **(1,170,000)** | (2,200,000) |
| **Net Cash Flow generated from / (used in) Operating Activities** | **A** | **(8,000,227)** | (4,816,010) |
| **Cash Flows from Investing Activities** | | | |
| Purchase of Fixed Assets / Capital work in progress | | **(242,820)** | (108,227) |
| Proceeds from sale of Fixed Assets | | **612** | 505 |
| **Net Cash Flow generated from / (used in) Investing Activities** | **B** | **(242,208)** | (107,722) |
| **Cash Flows from Financing Activities** | | | |
| Subordinated Debt from Head Office | | **13,627,799** | - |
| **Net Cash Flow from Financing Activities** | **C** | **13,627,799** | - |
| **Net Increase / (Decrease) in cash and cash equivalents** | **(A+B+ C)** | **5,385,364** | (4,923,732) |
| Cash and cash equivalents at the beginning of the year | | **11,429,129** | 16,352,861 |
| **Cash and cash equivalents at the end of the year** | | **16,814,493** | 11,429,129 |
| **Notes: Cash and Cash equivalents represent** | | | |
| Cash and balances with Reserve Bank of India (refer Schedule 6) | | **4,704,069** | 5,369,063 |
| Balances with banks and money at call and short notice (refer schedule 7) | | **12,110,424** | 6,060,066 |
| **Total** | | **16,814,493** | 11,429,129 |

As per our report of even date

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

**Akeel Master**
Partner
Membership No: 046768

**Place:** Mumbai
**Date:** 12 May 2011

For **DBS Bank Ltd., India**

**Sanjiv Bhasin**
General Manager and
Chief Executive Officer

**Place:** Mumbai
**Date:** 12 May 2011

**Yazad Cooper**
Chief Financial Officer

# Schedule to Financial Statements

as at 31 March 2011

(Currency: Indian rupees in thousands)

| | | As at 31 Mar 2011 | As at 31 Mar 2010 |
|---|---|---|---|
| **1. CAPITAL** | | | |
| Face value of securities deposited with the RBI under Section 11(2)(b) of the Banking Regulation Act, 1949 | | **1,830,000** | 1,150,000 |
| Head Office Account | | **9,518,321** | 9,518,321 |
| **Total** | | **9,518,321** | 9,518,321 |
| **2.** | **RESERVES AND SURPLUS** | | |
| **A** | **Statutory Reserve** | | |
| | Balance as per last balance sheet | **1,819,546** | 1,144,477 |
| | Additions during the year | **318,066** | 675,069 |
| | | **2,137,612** | 1,819,546 |
| **B** | **Capital Reserve (refer schedule 18 note [5])** | **5,096** | 5,096 |
| **C** | **Investment Reserve Account (refer schedule 18 note [47])** | | |
| | Balance as per last balance sheet | **-** | 117,208 |
| | Additions during the year | **-** | - |
| | Appropriation towards additional Depreciation requirement for the year | **-** | 117,208 |
| | | **-** | - |
| **D** | **Capital retained in India for CRAR purposes** | | |
| | Balance as per last balance sheet | **3,020,095** | 1,313,625 |
| | Additions during the year | **2,130,000** | 1,706,470 |
| | | **5,150,095** | 3,020,095 |
| **E** | **Balance in Profit and Loss Account** | **1,166,119** | 2,341,923 |
| **F** | **Deferred Tax Reserve** | **536** | 536 |
| | **Total** | **8,459,458** | 7,187,196 |

# Schedule to Financial Statements (continued)
as at 31 March 2011

(Currency: Indian rupees in thousands)

| | | | As at 31 Mar 2011 | As at 31 Mar 2010 |
|---|---|---|---|---|
| **3.** | **DEPOSITS** | | | |
| **A** | **(i)** | **Demand Deposits** | | |
| | | From banks | - | - |
| | | From others | 5,086,621 | 5,315,905 |
| | | | 5,086,621 | 5,315,905 |
| | **(ii)** | **Saving Bank Deposits** | 493,998 | 280,346 |
| | **(iii)** | **Certificate of Deposits** | 3,486,494 | 2,996,335 |
| | **(iv)** | **Term Deposits** | | |
| | | From banks | - | - |
| | | From others | 64,613,013 | 57,778,008 |
| | | | 64,613,013 | 57,778,008 |
| | | **Total** | 73,680,126 | 66,370,594 |
| **B** | Deposits of branches in India | | 73,680,126 | 66,370,594 |
| | Deposits of branches outside India | | - | - |
| | **Total** | | 73,680,126 | 66,370,594 |
| **4.** | **BORROWINGS** | | | |
| **I** | **Borrowings in India** | | | |
| | **(i)** | Reserve Bank of India | 13,350,000 | 5,700,000 |
| | **(ii)** | Other banks | 23,059,500 | 6,381,847 |
| | **(iii)** | Other institutions and agencies | 4,450,356 | 21,245,769 |
| | | | 40,859,856 | 33,327,616 |
| **II** | **Borrowings outside India from Banks** | | 31,641,173 | 16,638,477 |
| **III** | **Subordinated Debt*** | | 34,574,106 | 20,946,308 |
| | **Total** | | 107,075,135 | 70,912,401 |
| *Secured borrowings included in I and II above* | | | 17,800,356 | 26,945,769 |

* : Subordinated loan in the nature of long term borrowings in foreign currency from Head Office.

| | | | |
|---|---|---|---|
| **5.** | **OTHER LIABILITIES AND PROVISIONS** | | |
| | Bills Payable | 133,309 | 155,691 |
| | Interest Accrued | 697,813 | 358,511 |
| | Contingent Provision against Standard Advances | 333,014 | 239,677 |
| | Contingent Provision against Derivatives Exposures | 20,572 | 66,068 |
| | Others (including provisions) | 37,543,397 | 32,619,871 |
| | **Total** | 38,728,105 | 33,439,818 |

# Schedule to Financial Statements (continued)

as at 31 March 2011

(Currency: Indian rupees in thousands)

| | | As at 31 Mar 2011 | As at 31 Mar 2010 |
|---|---|---|---|
| **6.** | **CASH AND BALANCES WITH RESERVE BANK OF INDIA** | | |
| | Cash in hand (including foreign currency notes) | **28,527** | 11,547 |
| | Balances with RBI in Current Account | **4,675,542** | 5,357,516 |
| | **Total** | **4,704,069** | 5,369,063 |
| **7.** | **BALANCES WITH BANKS AND MONEY AT CALL & SHORT NOTICE** | | |
| **I** | **In India** | | |
| **(i)** | Balance with Banks | | |
| | In Current Accounts | **48,611** | 16,763 |
| | In Other Deposit Accounts | **7,900,000** | 5,000,000 |
| | | **7,948,611** | 5,016,763 |
| **(ii)** | Money at call and short notice | **-** | - |
| | | **7,948,611** | 5,016,763 |
| **II** | **Outside India** | | |
| | In Current Accounts | **4,161,813** | 1,043,303 |
| | In Other Deposit Accounts | **-** | - |
| | Money at Call and Short Notice | **-** | - |
| | | **4,161,813** | 1,043,303 |
| **Total** | | **12,110,424** | 6,060,066 |
| **8.** | **INVESTMENTS** | | |
| | **Investments in India in** | | |
| | Government securities * | **41,332,257** | 51,909,986 |
| | Debentures and Bonds | **270,000** | 270,000 |
| | Others (Certificate of Deposits and Commercial Papers) | **61,528,648** | 48,682,536 |
| | **Total** | **103,130,905** | 100,862,522 |
| **Gross Investments in India** | | **103,678,396** | 101,334,098 |
| Less: Provision for depreciation | | **547,491** | 471,576 |
| **Net Investments in India** | | **103,130,905** | 100,862,522 |

* : Includes :

(A) Securities pledged as margin with CCIL INR 257,175 thousands (Previous Year INR 348,422 thousands)

(B) Securities held u/s 11(2)(b) with RBI INR 1,853,679 thousands (Previous Year INR 1,145,927 thousands)

(C) Securities pledged as collateral for LAF INR 13,950,629 thousands (Previous Year INR 6,206,158 thousands)

(D) Securities held with CCIL for borrowings under CBLO INR 3,072,359 thousands (Previous Year INR 21,674,270 thousands)

(E) Securities kept as margin for RTGS INR 4,017,051 thousands (Previous Year INR 4,164,823 thousands)

(F) Securities pledged as collateral for Repo INR 1,451,879 thousands (Previous Year Nil)

# Schedule to Financial Statements (continued)
as at 31 March 2011

(Currency: Indian rupees in thousands)

| | | As at 31 Mar 2011 | As at 31 Mar 2010 |
|---|---|---|---|
| **9.** | **ADVANCES** | | |
| **A** | Bills purchased and discounted | **29,963,057** | 12,319,905 |
| | Cash credits, overdrafts and loans repayable on demand | **38,048,881** | 23,639,966 |
| | Term Loans | **7,510,092** | 4,192,119 |
| | **Total** | **75,522,030** | 40,151,990 |
| **B** | Secured by tangible assets * | **31,319,547** | 22,234,693 |
| | Covered by Bank / Government Guarantees** | **19,315,200** | 5,859,210 |
| | Unsecured | **24,887,283** | 12,058,087 |
| | **Total** | **75,522,030** | 40,151,990 |
| **C** | Advances in India | | |
| | Priority Sectors | **36,814,015** | 18,237,697 |
| | Public Sectors | **-** | - |
| | Banks | **-** | - |
| | Others | **38,708,015** | 21,914,293 |
| | Advances Outside India | **-** | - |
| | **Total** | **75,522,030** | 40,151,990 |
| * | : includes secured by book debts and stocks | | |
| ** | : includes advances covered by LCs issued by banks | | |
| **10.** | **FIXED ASSETS** | | |
| | **Other Fixed Assets (including furniture and fixtures)** | | |
| | Cost at the beginning of the year | **646,132** | 540,188 |
| | Additions during the year | **242,820** | 108,227 |
| | Deductions during the year | **(7,711)** | (2,283) |
| | | **881,241** | 646,132 |
| | Accumulated depreciation | **(502,721)** | (373,583) |
| | **Total** | **378,520** | 272,549 |
| **11.** | **OTHER ASSETS** | | |
| | Interest accrued | **1,219,833** | 1,012,135 |
| | Tax paid in advance / Tax Deducted at Source (net of provisions) | **690,984** | 641,208 |
| | Stationery & Stamps | **1** | 27 |
| | Deferred Tax Asset (refer schedule 18 note [35]) | **321,239** | 127,610 |
| | Others | **39,383,140** | 32,931,160 |
| | **Total** | **41,615,197** | 34,712,140 |
| **12.** | **CONTINGENT LIABILITIES** | | |
| | Liability on account of outstanding forward exchange contracts | **993,058,505** | 674,561,455 |
| | Liability on account of outstanding Currency and Interest Rate Swap and Option contracts | **2,288,291,850** | 1,164,430,774 |
| | Guarantees given on behalf of constituents in India | **40,133,354** | 26,011,593 |
| | Acceptances, endorsements and other obligations | **13,463,672** | 11,368,103 |
| | Other items for which the Bank is contingently liable | **47,302** | 68,885 |
| | **Total** | **3,334,994,683** | 1,876,440,810 |

# Schedule to Financial Statements (continued)

for the year ended 31 March 2011

(Currency: Indian rupees in thousands)

| | Year ended 31 Mar 2011 | Year ended 31 Mar 2010 |
|---|---|---|
| **13. INTEREST EARNED** | | |
| Interest / discount on advances / bills | **3,539,161** | 2,762,453 |
| Income on investments | **6,301,777** | 5,890,244 |
| Interest on balances with RBI and other inter-bank funds | **817,670** | 145,362 |
| **Total** | **10,658,608** | 8,798,059 |
| **14. OTHER INCOME** | | |
| Commission, exchange and brokerage | **1,966,500** | 1,703,917 |
| Net Profit / (Loss) on sale of investments | **(1,048,428)** | 250,417 |
| Net Profit / (Loss) on sale of land, buildings and other assets | **(474)** | 305 |
| Net Profit / (Loss) on Foreign Exchange and Derivative transactions | **35,720** | (408,377) |
| Miscellaneous Income | **8,039** | 2,446 |
| **Total** | **961,357** | 1,548,708 |
| **15. INTEREST EXPENDED** | | |
| Interest on Deposits | **3,577,042** | 2,051,573 |
| Interest on RBI / Inter-bank borrowings * | **2,330,860** | 1,124,437 |
| **Total** | **5,907,902** | 3,176,010 |

* : including interest on Repos, CBLOs and Subordinated Debt

| | Year ended 31 Mar 2011 | Year ended 31 Mar 2010 |
|---|---|---|
| **16. OPERATING EXPENSES** | | |
| Payments to and provisions for employees | **1,251,625** | 734,519 |
| Rent, taxes and lighting | **403,645** | 367,639 |
| Printing and Stationery | **10,311** | 5,647 |
| Advertisement and publicity | **37,190** | 27,822 |
| Depreciation on Bank's property | **135,763** | 128,955 |
| Auditor's fees and expenses | **2,500** | 500 |
| Law Charges | **26,381** | 8,105 |
| Postage, Telegram, Telephone, etc. | **34,315** | 46,713 |
| Repairs and maintenance | **59,282** | 33,881 |
| Insurance | **69,026** | 43,952 |
| Brokerage charges | **29,001** | 27,181 |
| Professional Fees | **43,984** | 33,418 |
| Head Office Expenses | **103,597** | 88,105 |
| Other Expenditure (refer schedule 18 note [47]) | **519,146** | 130,781 |
| **Total** | **2,725,766** | 1,677,218 |

# Schedule to Financial Statements (continued)

for the year ended 31 March 2011

(Currency: Indian rupees in thousands)

**17. PROVISIONS AND CONTINGENCIES**

| | **Year ended 31 Mar 2011** | Year ended 31 Mar 2010 |
|---|---|---|
| Provision for Non Performing Assets | **240,570** | 199,067 |
| Bad Debts written off (net) | **343,129** | 136,045 |
| Provision for Standard Asset (including credit exposure in derivatives) | **47,841** | 79,980 |
| Provision/(Write-back) for Depreciation on Investments | **75,915** | 463,270 |
| Provision for Current Income-Tax | **1,193,867** | 1,893,610 |
| Provision/(Write-back) for Deferred Income-Tax | **(193,630)** | 26,175 |
| Provision/(Write-back) for Fringe Benefit Tax | **-** | (441) |
| Provision for Wealth Tax | **14** | 10 |
| Provision/(Write-back) for Country Risk | **6,329** | (2,725) |
| Other Provisions | **-** | (1,729) |
| **Total** | **1,714,035** | 2,793,262 |

**18. Significant Accounting policies and Notes Forming Part of the Accounts**

**1. Background**

The accompanying financial statements for the year ended 31 March 2011 comprise the accounts of the India branches of DBS Bank Ltd., which is incorporated in Singapore. The India branches of the Bank as at 31 March 2011 are located at Mumbai, New Delhi, Bengaluru, Chennai, Pune, Kolkata, Nasik, Surat, Salem, Moradabad, Kolhapur and Cuddalore.

**2. Basis of Preparation**

The financial statements have been prepared and presented under the historical cost convention, on an accrual basis of accounting, unless otherwise stated and comply with the generally accepted Accounting Standards (AS) prescribed by the Companies (Accounting Standards) Rules 2006 issued by the National Advisory Committee on Accounting Standards (NACAS) and by the Institute of Chartered Accountants of India (ICAI) to the extent applicable and conform to the statutory requirements prescribed under the Banking Regulation Act, 1949, circulars issued by the Reserve Bank of India ('RBI') from time to time and current practices prevailing within the banking industry in India.

**3. Use of Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities as at the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

**4. Significant Accounting Policies**

**(i) *Advances***

Advances are classified as performing and non-performing based on the RBI guidelines. Advances are stated net of specific loan provisions, write offs and interest in suspense for non-performing advances. Provision for loan losses are made in respect of identified advances based on the periodic review as per Bank's policy, which comply with RBI guidelines.

The Bank also maintains a general loan loss provision on Standard Advances and Derivative Exposures at rates as prescribed by RBI, and discloses the same in Schedule 5 ('Other liabilities and Provisions'). In addition the Bank maintains provision for country risk in accordance with RBI guidelines and the same is included under Schedule 5 ('Other liabilities and Provisions').

**(ii) *Investments***

*Classification*

Investments, are recognised on settlement date (i.e Value date) basis and are classified as Held for Trading ('HFT'), Available for Sale ('AFS') or

# Schedule to Financial Statements (continued)

for the year ended 31 March 2011

(Currency: Indian rupees in thousands)

Held to Maturity ('HTM') in accordance with RBI guidelines.

*Acquisition Cost:*

In determining acquisition cost of an investment:

- Brokerage, Commission, etc. paid at the time of acquisition, are charged to revenue.
- Cost of investments is determined using First in First out method.
- Broken period interest on debt instruments is accounted in accordance with RBI guidelines.

*Disposal of Investments:*

Profit/ Loss on sale of investments under the HFT and AFS categories are taken to the Profit and Loss account.

*Valuation*

Investments classified under the HFT and AFS categories are valued at lower of acquisition cost or market value in aggregate for each category of investment, in accordance with the guidelines issued by the RBI and based on the year-end rates as published by Primary Dealers Association of India ('PDAI') jointly with the Fixed Income Money Market and Derivatives Association of India ('FIMMDA'). The non SLR bonds held are valued by applying the mark up above the corresponding yield on GOI securities as directed by RBI. Net depreciation is recognised in the Profit and Loss Account and net appreciation, (if any) is ignored per category of investment classification. Consequent to revaluation, the book value of the individual security is not changed. Treasury Bills, Commercial Paper and Certificate of Deposits are valued on a carrying cost basis.

In accordance with the RBI's Master Circular DBOD.No.BP.BC.18/21.04.141/2010-11 dated 1st July 2010, the provision on account of depreciation in the HFT and AFS categories in excess of the required amount is credited to the Profit & Loss Account and an equivalent amount (net of taxes if any and net of transfer of Statutory Reserve as applicable to such excess provision) is appropriated to an Investment Reserve Account. The provisions required to be created on account of depreciation in the AFS & HFT categories is debited to the Profit & Loss account and an equivalent amount (net of tax benefit, if any and net of consequent reduction in transfer to Statutory Reserves) is transferred from the Investment Reserve Account to the Profit & Loss Account.

Securities categorised under HTM are carried at acquisition cost, or at amortised cost if acquired at a premium over the face value. Such premium is amortised over the remaining period to maturity of that security.

Brokerage, commission, etc. paid at the time of sale is charged to the Profit and Loss Account.

*Transfer of securities between categories*

Reclassification of investments from one category to the other, is done in accordance with RBI guidelines and any such transfer is accounted for at the lower of acquisition cost / book value / market value, as on the date of transfer and depreciation, if any, on such transfer is fully provided for.

*Accounting for repos/reverse repos*

In accordance with RBI Circular DBOD.No.BP. BC.18/21.04.141/2010-11 dated 1st July 2010, Repurchase/Reverse-repurchase transactions (other than those under the Liquidity Adjustment Facility 'LAF' with RBI) are accounted as collateralized borrowing and lending. The difference between the clean price of the first leg and the clean price of the second leg is recognised as interest income/expense over the period of the transaction.

***(iii) Foreign Exchange***

Foreign currency assets, liabilities and off balance sheet items are translated at the balance sheet date at rates notified by the Foreign Exchange Dealers' Association of India ('FEDAI'). The resultant gain or loss is recognised in the Profit and Loss Account.

Income and expenditure in foreign currency is translated at the exchange rates as prevailing on the incurred date of transaction.

***(iv) Derivative transactions***

Derivatives comprise interest rate swaps, cross currency swaps, foreign exchange transactions and options and are a part of the trading book. These are recognized at the fair values on daily basis and the resultant gain / loss is recorded in the Profit & Loss Account. The unrealised gains or losses on these products are reflected in the Balance Sheet under Other Assets or Other Liabilities respectively.

Option contracts are marked to market using market values after considering the premium received or paid. The profit or loss on revaluation

# Schedule to Financial Statements (continued)

for the year ended 31 March 2011

(Currency: Indian rupees in thousands)

is recorded in the Profit & Loss Account and corresponding asset or liability is shown under Other Asset or Other Liability as the case may be. Premium received or premium paid is recognised in the Profit & Loss Account upon expiry or exercise of the option.

***(v) Fixed Assets***

Fixed Assets are stated at historical cost less accumulated depreciation as adjusted for impairment, if any. Cost includes cost of purchase and all expenditure like site preparation, installation costs and professional fees incurred on the asset before it is ready to use. Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future benefit/ functioning capability from/of such assets. Fixed assets individually costing less than Rs 10,000/- are expensed in the year of purchase. Depreciation is provided on a straight line basis over the estimated useful life of the asset at the rates mentioned below:

| Assets | Rate |
|---|---|
| Office Equipment | 20.00% |
| Computers (Hardware and Software) | 33.33% |
| Furniture and Fixtures | 20.00% |
| Motor Vehicles | 20.00% |
| Leasehold Improvements | Over the life of the lease |

Depreciation for the entire month is charged in the month in which the asset is purchased. Depreciation on assets sold during the year is charged to the Profit and Loss account on a pro-rata basis up to the beginning of the month of sale.

The Bank assesses at each balance sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Profit and Loss Account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

***(vi) Employee Benefits***

(a) *Provident Fund:* The Bank has its own trust for Provident Fund for the benefit of its employees. Contributions to the Provident Fund are recognised on an accrual basis and charged to the Profit And Loss account.

(b) *Gratuity:* The Bank has a Gratuity Fund for its employees under the Group Gratuity cum Life Assurance Scheme of the Life Insurance Corporation of India ('LIC'). The Bank's contribution towards the Fund is charged to the Profit And Loss account. In terms of the revised Accounting Standard 15, provision is made towards Gratuity based on an actuarial valuation done by an independent actuary as at the year end, using the Projected Unit Credit Method. The fair value of the Fund's assets is compared with the gratuity liability, as actuarially determined, and the shortfall if any is provided for. Actuarial gains/losses are taken to the Profit and Loss account.

(c) *Compensated Absences:* The Bank makes a provision for accrued compensated absences as at 31st March each year on the basis of actuarial valuation, as carried out by an independent actuary, and the same is charged to the Profit And Loss account.

(d) *Employee share based payment:* The eligible employees of the Bank have been granted stock awards under various plans, of equity shares of the ultimate holding company, DBS Bank Ltd – Singapore. As per the various plans, these stock awards vest in a graded manner over an average period of one to three years. During the year, the Bank has charged an amount pertaining to these under the head "Payments to and provisions for employees" as compensation cost.

***(vii) Operating Leases***

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased asset are classified as Operating Leases. Operating Lease payments are recognised as an expense in the Profit and Loss Account over the lease term in accordance with the AS - 19, Leases.

***(viii) Revenue Recognition***

Income is accounted for on an accrual basis except in case of interest on non-performing assets which is recognized on receipt basis as per RBI norms.

Income on non-coupon bearing discounted instruments and instruments which carry a premia on redemption is recognized over the tenor of the instrument on a straight line basis.

Fee and commission income is recognized when due, except on guarantees and letter of credits which are recognized on a receipt basis.

# Schedule to Financial Statements (continued)

for the year ended 31 March 2011

(Currency: Indian rupees in thousands)

***(ix) Taxation***

Provision for tax comprises current tax and net change in deferred tax assets and liability during the year. Current tax provisions represent the estimated liability on income tax as determined in accordance with the provisions of the Income Tax Act 1961. Wealth Tax liability is determined in accordance with the provisions under the Wealth Tax Act, 1957. Deferred tax adjustments reflect the changes in the deferred tax assets or liabilities during the year. Deferred taxation is provided on timing differences between the accounting and tax statement on income and expenses. In case of unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and appropriately adjusted to reflect the amount that is reasonably/virtually certain to be realized.

***(x) Net Profit***

Net profit is computed after:

- Provision for loan losses / write offs, country risk provision, general loan loss provision on standard assets and derivatives
- Provision for diminution in the value of investments
- Provision for income tax and wealth tax
- Provision for deferred taxation
- Charge for head office administrative expenses for the year
- Other usual and necessary provisions.

***(xi) Provisions, Contingent Liabilities and Contingent Assets***

In accordance with AS 29, Provisions, Contingent Liabilities and Contingent Assets, provision is recognized when the Bank has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

A disclosure of contingent liability is made when there is:

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non occurrence of one or more uncertain future events not within the control of the Bank; or
- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent liabilities on account of foreign exchange contracts, derivative transactions, guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are disclosed at closing rates of exchange notified by FEDAI.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

***(xii) Securitisation***

The Bank enters into securitisation transactions wherein corporate loans are sold to a Special Purpose Vehicle ('SPV'). These securitisation transactions are accounted for in accordance with the RBI guidelines on "Securitisation of Standard Assets" and other relevant guidelines/notifications issued by the RBI from time to time and the Guidance Note on Accounting for Securitisation issued by the Institute of Chartered Accountants of India ('ICAI').

Securitised assets are derecognised upon sale if the Bank surrenders control over the contractual rights that comprise the financial asset. In respect of credit enhancements provided or recourse obligations accepted by the Bank, appropriate provision/disclosure is made at the time of sale in accordance with AS 29 –

# Schedule to Financial Statements (continued)

for the year ended 31 March 2011

(Currency: Indian rupees in thousands)

'Provisions, contingent liabilities and contingent assets'.

Gains on securitizations, being the excess of the consideration received over book value of the assets and provisions towards expected costs including servicing costs and expected delinquencies are amortised over the life of the securities issued by the SPV.

Losses are recognised immediately. Sales and transfers that do not meet the criteria for surrender of control are accounted for as secured borrowings.

**5. Capital Reserve**

Capital Reserves disclosed in Schedule 2 includes bank balances and fixed assets transferred by the erstwhile Development Bank of Singapore Ltd., Mumbai Representative Office to the Bank upon closure of the Representative Office.

**6. Capital**

The Bank is following RBI guidelines for calculation of capital adequacy under BASEL II requirements. Credit Risk is calculated using the Standardised Approach, Operational Risk is calculated using the Basic Indicator Approach and Market Risk is computed in accordance with RBI guidelines with minimum capital requirement being expressed in terms of two specific charges – Specific Market Risk and General Market Risk. The capital adequacy ratio of the bank, calculated as per Basel II requirement as well as under the earlier method (BASEL I) is set out below:

**Per BASEL II**

| Particulars | As at 31 Mar 2011 | As at 31 Mar 2010 |
|---|---|---|
| CRAR (%)* | **14.98%** | 16.96% |
| CRAR - Tier I Capital (%) | **9.84%** | 11.14% |
| CRAR - Tier II Capital (%) | **5.14%** | 5.82% |
| Amount of eligible Subordinated Debt in Tier-II | **8,214,929** | 7,040,969 |

*As per para 4.1.2 of the RBI's Master Circular for Prudential Guidelines on Capital Adequacy and Market Discipline – (NCAF), viz, DBOD.No.BP.BC. 73 / 21.06.001 /2009-10 dated February 8, 2010, the Bank is required to maintain a prudential floor on capital requirements of 80 per cent of the capital required under Basel I. The Bank's capital requirement as per the BASEL-II framework has been accordingly enhanced to meet the prudential floor for 31 March 2010.

**Per BASEL I**

| Particulars | As at 31 Mar 2011 | As at 31 Mar 2010 |
|---|---|---|
| CRAR (%) | **12.11%** | 13.64% |
| CRAR - Tier I Capital (%) | **7.96%** | 8.96% |
| CRAR - Tier II Capital (%) | **4.15%** | 4.68% |
| Amount of eligible Subordinated Debt in Tier-II | **8,244,942** | 7,078,356 |

**7. Investments**

| Particulars | As at 31 Mar 2011 | As at 31 Mar 2010 |
|---|---|---|
| **Value of Investments (*)** | | |
| Gross Value of Investments | **103,678,396** | 101,334,098 |
| Less: Provision for Depreciation | **547,491** | 471,576 |
| **Net Value of Investments** | **103,130,905** | 100,862,522 |
| **Movement in Provisions Held towards Depreciation on Investments** | | |
| Opening Balance | **471,576** | 8,306 |
| Add: Provisions Made During the Year | **75,915** | 463,270 |
| Less: Write off / Write back of Excess provisions during the Year | **-** | - |
| **Closing Balance** | **547,491** | 471,576 |

(*) All investments are held in India.

# Schedule to Financial Statements (continued)

for the year ended 31 March 2011

(Currency: Indian rupees in thousands)

## 8. Repo/ Reverse Repo Transactions

| | Minimum outstanding during the year | Maximum outstanding during the year | Daily Average outstanding during the year | **As at 31 March** |
|---|---|---|---|---|
| Securities sold under Repos | | | | |
| i) Government securities | - | 34,020,367 | 5,660,329 | **1,453,374** |
| | (-) | (28,116,253) | (12,023,548) | **(5,700,000)** |
| ii) Corporate debt securities | - | - | - | **-** |
| | (-) | (-) | (-) | **(-)** |
| Securities purchased under Reverse Repos | | | | |
| i) Government securities | - | 5,700,000 | 70,814 | **-** |
| | (-) | (41,150,000) | (9,277,447) | **(-)** |
| ii) Corporate debt securities | - | - | - | **-** |
| | (-) | (-) | (-) | **(-)** |

*(Figures in brackets indicate previous year figures)*

## 9. Non – Statutory Liquidity Ratio (SLR) Investment Portfolio

Issuer composition of Non – SLR Investments as at 31 March 2011 is stated below:

| **Issuer** | **Amount** | **Extent of “private placement"** | **Extent of “below investment grade" securities** | **Extent of “unrated” securities** | **Extent of “unlisted” securities** |
|---|---|---|---|---|---|
| Public Sector Undertakings | - | - | - | - | - |
| | (-) | (-) | (-) | (-) | (-) |
| Financial Institutions | - | - | - | - | |
| | (-) | (-) | (-) | (-) | (-) |
| Banks | 57,398,891 | - | - | - | - |
| | (48,682,536) | (-) | (-) | (-) | (-) |
| Private Corporates | - | - | - | - | - |
| | (-) | (-) | (-) | (-) | (-) |
| Subsidiaries/ Joint Ventures | - | - | - | - | - |
| | (-) | (-) | (-) | (-) | (-) |
| Others | 4,399,757 | 80,000 | - | - | - |
| | (270,000) | (80,000) | (-) | (-) | (-) |
| Provision held | - | - | - | - | - |
| towards depreciation | (-) | (-) | (-) | (-) | (-) |
| **Total** | **61,798,648** | **80,000** | **-** | **-** | **-** |
| | **(48,952,536)** | **(80,000)** | **(-)** | **(-)** | **(-)** |

*(Figures in brackets indicate previous year figures)*

## 10. Non performing Non - SLR Investments

Non performing Non – SLR Investments as at 31 March 2011 were Nil (Previous Year: Nil).

# Schedule to Financial Statements (continued)

for the year ended 31 March 2011

(Currency: Indian rupees in thousands)

**11. Derivatives - Forward Rate Agreements/ Interest Rate Swap**

The Bank deals in Interest Rate Swaps and Forward Rate Agreements.

| **Particulars** | **As at 31 Mar 2011** | As at 31 Mar 2010 |
|---|---|---|
| Notional principal of Interest Rate Swaps | **2,065,082,001** | 993,335,935 |
| Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements | **15,954,914** | 6,818,503 |
| Collateral required by the bank upon entering into swaps | **-** | - |
| Concentration of credit risk arising from the swaps (exposure to banking industry) | **97%** | 93% |
| The fair value of the swap book [asset / (liability)] | **1,134,806** | (403,311) |

In terms of the guidelines issued by RBI, the following additional information is disclosed in respect of outstanding Interest Rate Swaps and FRAs as at year end:

| **Benchmark** | **Terms** | **31 March 2011** | | 31 March 2010 | |
|---|---|---|---|---|---|
| | | **Nos.** | **Notional Principal** | Nos. | Notional Principal |
| 6 Month MIFOR | Pay Fixed Receive Floating | **179** | **70,011,500** | 163 | 58,167,500 |
| 6 Month MIFOR | Receive Fixed Pay Floating | **82** | **56,315,500** | 93 | 38,348,000 |
| 6 Month EURIBOR | Pay Fixed Receive Floating | **15** | **552,333** | - | - |
| 6 Month EURIBOR | Receive Fixed Pay Floating | **15** | **552,333** | - | - |
| OIS 1 year | Pay Fixed Receive Floating | **432** | **482,560,000** | 204 | 223,490,000 |
| OIS 1 year | Receive Fixed Pay Floating | **374** | **430,310,000** | 198 | 231,410,000 |
| OIS 6 months | Pay Fixed Receive Floating | **1,076** | **459,660,089** | 475 | 191,700,505 |
| OIS 6 months | Receive Fixed Pay Floating | **1,087** | **469,076,598** | 485 | 195,466,598 |
| JPY Libor 6 months | Pay Fixed Receive Fixed | **4** | **795,901** | 4 | 1,305,720 |
| JPY Libor 6 months | Pay Fixed Receive Floating | **4** | **1,105,978** | 5 | 1,093,945 |
| JPY Libor 6 months | Receive Fixed Pay Floating | **4** | **1,137,195** | 4 | 1,085,777 |
| JPY Libor 6 months | Pay Floating Receive Floating | **1** | **979,785** | 1 | 874,657 |
| USD Libor 1 year | Pay Fixed Receive Fixed | **-** | **-** | 4 | 1,796,000 |
| USD Libor 1 month | Pay Fixed Receive Floating | **2** | **445,950** | - | - |
| USD Libor 1 month | Receive Fixed Pay Floating | **2** | **445,950** | - | - |
| USD BS Libor 3 months | Pay Floating Receive Floating | **2** | **780,412** | - | - |
| USD Libor 3 months | Pay Fixed Receive Fixed | **-** | **-** | 2 | 1,347,000 |
| USD Libor 3 months | Pay Fixed Receive Floating | **33** | **8,901,916** | 24 | 5,483,291 |
| USD Libor 3 months | Receive Fixed Pay Floating | **30** | **8,489,412** | 21 | 5,034,291 |
| USD Libor 3 months | Pay Floating Receive Floating | **9** | **2,186,203** | 2 | 291,850 |
| USD Libor 3 months | Receive Floating Pay Floating | **-** | **-** | 5 | 1,234,750 |
| USD Libor 6 months | Pay Fixed Receive Floating | **68** | **30,426,026** | 36 | 13,098,253 |
| USD Libor 6 months | Receive Fixed Pay Floating | **76** | **37,902,810** | 40 | 20,174,648 |
| USD Libor 6 months | Receive Floating Pay Floating | **12** | **2,446,110** | 7 | 19,53,150 |
| **Total** | | **3,507** | **2,065,082,001** | 1,773 | 993,355,935 |

All interest rate swaps have been entered into with reputed counter parties under approved credit lines and are in the nature of trading. Management believes that these transactions carry negligible inherent credit risk and no collateral is insisted upon from the counterparty as per market practice.

# Schedule to Financial Statements (continued)

for the year ended 31 March 2011

(Currency: Indian rupees in thousands)

**12. Exchange Traded Derivatives**

The Bank does not deal in Exchange Traded Derivatives.

**13. Disclosure on Risk Exposure in Derivatives**

*Qualitative Disclosures*

The Bank undertakes transactions in derivative contracts either in the role of a User or as a Market Maker. The Bank ensures that by undertaking such transactions, additional risk assumed (if any) is within the limits governed by the relevant policies and guidance under the Integrated Risk Framework and as approved by the Risk Committees.

Derivative exposures are subject to Market Risk Control and Risk Appetite Limits separately calibrated for the Trading and Banking books. These Corporate level limits are administered at Head Office and monitored by Head Office as well as locally. Appetite Limits are for VaR and stress losses. Control Limits are for sensitivities to interest rates and FX rates, as well as Risk Class Contribution grids, which measure first order, as well as higher order risks for interest rate and FX products, including options. The setting of the Risk Appetite Limit takes into consideration the Bank's risk bearing capacity, level of business activity, operational considerations, market volatility and utilisation. The limit calibration process is dynamic and aims to consistently maintain and enhance the relevance of the various applicable limits as risk capacity, risk consumption and market behaviour changes. Carved out of the control limits at corporate level are granular business level sensitivity limits for interest rates at product, desk / trader book & tenor levels for each currency and for FX at desk / trader book level for each currency.

All derivative trades entered by the Bank are undertaken in the trading book (there is no hedging book maintained by the Bank) and valued in line with the accounting policy covering the trading transactions. Additionally, these trades may be on account of proprietary positions or for covering customer transactions.

The Bank has a Credit Risk Management unit which is responsible for setting up counterparty limits for all transactions including derivatives on the basis of the counter-party's control structure. While setting up these limits, the Bank follows rigorous appraisal principles and procedures similar to those for loan limits. Typically these exposures remain unsecured in line with market, wherein customers do not make available collateral against derivative or foreign exchange limits. Additionally, the Bank independently evaluates the Potential Credit Exposure ('PCE') on account of all derivative transactions, wherein limits are separately specified by product and tenor.

The Bank applies the Current Exposure method to assess credit risk associated with Derivatives and Foreign Exchange contracts. Credit risk on a contract is computed as the sum of its mark-to-market value if positive and its potential future exposure which is calculated based on its notional value and its residual maturity. The Bank has made a provision on such credit exposures in accordance with RBI Circular DBOD.No.BP.BC.21/21.04.048/2010-11 dated July 1, 2010.

contd. on page 19

# Schedule to Financial Statements (continued)

for the year ended 31 March 2011

(Currency: Indian rupees in thousands)

## 13. Disclosure on Risk Exposure in Derivatives (continued)

*Quantitative Disclosures*

| Sr. No. | Particulars | Currency Derivatives # | Interest Rate Derivatives |
|---|---|---|---|
| 1 | **Derivatives (Notional Principal Amount)** | | |
| | (a) - For Hedging | - | - |
| | (b) - For Trading | 1,212,086,548 | 2,069,263,807 |
| 2 | **Marked to Market Positions** | | |
| | (a) - Asset | - | 1,134,806 |
| | (b) - Liability | 1,291,649 | - |
| 3 | **Credit Exposure** | 56,844,603 | 32,077,973 |
| 4 | **Likely impact of 1% change in interest rates (100*PV01)** | | |
| | (a) - On Hedging Derivatives | - | - |
| | (b) - On Trading Derivatives | 176,847 | (31,131) |
| 5 | **Maximum & Minimum of 100*PV01 observed during the year** | | |
| | (a) - On Hedging : Maximum | - | - |
| | Minimum | - | - |
| | (b) - On Trading : Maximum | 249,066 | 623,937 |
| | Minimum | (119,158) | (356,089) |

*# Currency Derivatives includes Foreign Exchange contracts.*

## 14. Non Performing Assets (Funded)

| Particulars | | | **31 Mar 11** | 31 Mar 10 |
|---|---|---|---|---|
| (i) | Net NPA to Net Advances (%) | | **0.31%** | 1.00% |
| (ii) | Movement in Gross NPAs | | | |
| | (a) | Opening Balance | **760,399** | 311,675 |
| | (b) | Additions during the year | **582,778** | 1,122,678 |
| | | Sub Total (A) | **1,343,177** | 1,434,353 |
| | (a) | Upgradations | **-** | - |
| | (b) | Recoveries | **147,771** | 536,409 |
| | (c) | Write-offs* | **360,926** | 137,545 |
| | | Sub Total (B) | **508,697** | 673,954 |
| | | Gross NPAs as on 31 Mar (A-B) | **834,480** | 760,399 |
| (iii) | Movement in provisions for NPAs | | | |
| | (a) | Opening Balance | **360,447** | 162,380 |
| | (b) | Provisions made during the year | **638,412** | 745,610 |
| | (c) | Write off / Write back of excess provisions** | **397,842** | 547,543 |
| | (d) | Closing Balance | **601,017** | 360,447 |
| (iv) | Movement in Net NPAs | | | |
| | (a) | Opening Balance | **399,952** | 149,295 |
| | (b) | Additions during the year | **(55,634)** | 377,068 |
| | (c) | Reductions during the year | **110,855** | 126,411 |
| | (d) | Closing Balance | **233,463** | 399,952 |

*Gross of INR Nil (Previous Year INR 1,500 thousands) recovered after write off.

**Includes an amount of INR Nil (Previous Year INR 1,000 thousands), not written back in the Profit & Loss Account, pertaining to sale of an NPA to a Reconstruction Company.

# Schedule to Financial Statements (continued)

for the year ended 31 March 2011

(Currency: Indian rupees in thousands)

**15. Non Performing Assets (NPA) provisioning coverage ratio**

The NPA provisioning coverage ratio of the Bank was 72.02% as on 31 March 2011 (Previous Year 47.40%)

**16. Concentration of NPA's**

| Particulars | 31 Mar 11 | 31 Mar 10 |
|---|---|---|
| Total Exposure to top four NPA accounts | **753,147** | 709,185 |

**17. Sector-wise NPA's**

| Sector | Percentage to Total Advances | |
|---|---|---|
| | **31 Mar 11** | 31 Mar 10 |
| Agriculture & allied activities | **44.24%** | - |
| Industry (Micro & small, Medium and Large) | **0.72%** | 2.02% |
| Services | **-** | - |
| Personal Loans | **-** | - |

**18. Concentration of Deposits**

| Particulars | 31 Mar 11 | 31 Mar 10 |
|---|---|---|
| Total Deposits of twenty largest depositors | **51,382,846** | 45,329,896 |
| Percentage of Deposits of twenty largest depositors to Total Deposits of the bank | **69.74%** | 68.30% |

**19. Concentration of Advances**

| Particulars | 31 Mar 11 | 31 Mar 10 |
|---|---|---|
| Total Advances to twenty largest borrowers | **60,343,922** | 43,715,624 |
| Percentage of Advances to twenty largest borrowers to Total Advances of the bank | **36.32%** | 37.53% |

Advances have been computed as per the definition of Credit Exposure including derivatives as prescribed in RBI's Master Circular DBOD.No.Dir.BC.14/13.03.00/2010-11 dated July 1, 2010.

**20. Concentration of Exposures**

| Particulars | 31 Mar 11 | 31 Mar 10 |
|---|---|---|
| Total Exposure to twenty largest borrowers/customers | **60,343,922** | 43,715,624 |
| Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers | **22.37%** | 20.07% |

Exposures are computed based on Credit and Investment exposure as prescribed in RBI's Master Circular DBOD.No.Dir.BC.14/13.03.00/2010-11 dated July 1, 2010.

**21. Overseas Assets, NPAs and Revenue**

| Particulars | 31 Mar 11 | 31 Mar 10 |
|---|---|---|
| Total Assets | **4,161,813** | 1,043,303 |
| Total NPAs | **-** | - |
| Total Revenue | **240** | 229 |

Total assets represent Nostro balances with overseas banks and Total revenue represents interest received on the placement of deposits with overseas counterparty.

# Schedule to Financial Statements (continued)

for the year ended 31 March 2011

(Currency: Indian rupees in thousands)

**22. Off Balance Sheet Sponsored Special Purpose Vehicles**

The Bank does not have any off balance sheet sponsored Special Purpose Vehicle as at 31 March 2011 (Previous Year: Nil)

**23. Loan restructuring**

| Particulars of Accounts Restructured | | CDR Mechanism | SME Debt Restructuring | Others |
|---|---|---|---|---|
| Standard Advances | No. of Borrowers | - (-) | - (-) | - (-) |
| | Amount outstanding | - (-) | - (-) | - (-) |
| | Sacrifice (diminution in the fair value) | - (-) | - (-) | - (-) |
| Sub-standard Advances | No. of Borrowers | - (-) | - (-) | - (-) |
| | Amount outstanding | - (-) | - (-) | - (-) |
| | Sacrifice (diminution in the fair value) | - (-) | - (-) | - (-) |
| Doubtful Advances | No. of Borrowers | - (-) | - (-) | 1 (1) |
| | Amount outstanding | - (-) | - (-) | 75,000 (88,118) |
| | Sacrifice (diminution in the fair value) | - (-) | - (-) | - (-) |

*(Figures in brackets indicate previous year figures)*

**24. Financial Assets sold to Securitisation / Reconstruction Companies for Asset Reconstruction**

| Particulars | 31 Mar 11 | 31 Mar 10 |
|---|---|---|
| No. of accounts | - | 2 |
| Aggregate value (net of provisions) of accounts sold to SC/RC | - | - |
| Aggregate consideration | - | 2,500 |
| Additional consideration realized in respect of accounts transferred in earlier years | - | - |
| Aggregate gain / loss over net book value | - | 2,500 |

**25. Details of non-performing financial assets purchased/sold**

There were no purchases or sales of non-performing financial assets from/to other banks during the year ended 31 March 2011 (Previous Year: Nil).

**26. Provision for Standard Assets and Derivatives**

| Particulars | 31 Mar 11 | 31 Mar 10 |
|---|---|---|
| General Loan Loss Provision on Standard Assets | **333,014** | 239,677 |
| General Provision on Credit Exposures on Derivatives | **20,572** | 66,068 |

# Schedule to Financial Statements (continued)

for the year ended 31 March 2011

(Currency: Indian rupees in thousands)

## 27. Business Ratios

| | Particulars | 31 Mar 11 | 31 Mar 10 |
|---|---|---|---|
| i | Interest Income to working funds | **6.66%** | 7.77% |
| ii | Non-interest income to working funds | **0.60%** | 1.37% |
| iii | Operating profits to working funds | **1.86%** | 4.85% |
| iv | Return on Assets | **0.79%** | 2.38% |
| v | Business (deposits plus advances) per employee | **240,649** | 255,450 |
| vi | Net Profit per employee | **2,052** | 6,475 |
| vii | Percentage of Net NPA to Net Advances | **0.31%** | 1.00% |

Note: Business volume has been computed based on advances & deposits (excluding interbank deposits) outstanding as at the year-end. Similarly, employee numbers are those as at the year-end.

## 28. Exposure to Capital Market

| Sr. No. | Particulars | 31 Mar 11 | 31 Mar 10 |
|---|---|---|---|
| (i) | Investments made in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt | **-** | - |
| (ii) | Advances against shares, bonds, debentures or other securities or on clean basis to individuals for investment in shares (including IPO's/ESOPS), convertible bonds, convertible debentures and units of equity oriented mutual funds | **-** | - |
| (iii) | Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security | **-** | - |
| (iv) | Advances for any other purposes to the extent secured by collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances | **-** | - |
| (v) | Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers | **850,000** | - |
| (vi) | Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources | **-** | - |
| (vii) | Bridge loans to companies against expected equity flows/issues | **-** | - |
| (viii) | Underwriting commitments taken up in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds | **-** | - |
| (ix) | Financing to stockbrokers for margin trading | **-** | - |
| (x) | All exposures to venture capital funds (both registered and unregistered) | **-** | - |
| | **Total Exposure to Capital Market** | **850,000** | - |

# Schedule to Financial Statements (continued)

for the year ended 31 March 2011

(Currency: Indian rupees in thousands)

**29. Exposure to Real Estate Sector**

| **Particulars** | **31 Mar 11** | 31 Mar 10 |
|---|---|---|
| **Direct Exposure** | | |
| Residential Mortgages | **1,227** | 1,370 |
| Commercial Real Estate | **6,367,133** | 7,541,900 |
| Investments in Mortgage backed Securities | **-** | - |
| **Indirect Exposure** | **-** | **-** |

**30. Risk Category Wise Country Risk Exposure**

*Provision for Country Risk Exposure in terms of RBI master circular DBOD.No.BP.BC.21/21.04.048/2010-11 dated 1st July 2010 is as follows:*

| **Risk Category** | **Exposure (net) as at March 2011** | **Provision held as at March 2011** | Exposure (net) as at March 2010 | Provision held as at March 2010 |
|---|---|---|---|---|
| Insignificant | **13,016,854** | **4,274** | 3,083,964 | - |
| Low | **11,428,685** | **4,294** | 4,871,688 | 2,239 |
| Moderate | **185,343** | **-** | 227,908 | - |
| High | **9,235** | **-** | 21,869 | - |
| Very high | **1,160,218** | **-** | 14,130 | - |
| Restricted | **-** | **-** | 1,183 | - |
| Off-credit | **-** | **-** | - | - |
| **Total** | **25,800,335** | **8,568** | 8,220,742 | 2,239 |

Country risk provisions are held in addition to the provisions required to be held as per the asset classification status. In terms of the RBI circular, the provision is made for only those countries where the net funded exposure is not less than 1 percent of total assets. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirements are held.

**31. Single Borrower and Group Borrower Exposure Limits**

During the year, the Bank's credit exposures ceiling to individual borrowers has been exceeded in HDFC Ltd. and L & T Limited. Prior approval of the India Management Committee has been obtained for exceeding the exposure ceiling in the above accounts.

**32. Unsecured Advances**

There are no unsecured Advances for which intangible securities such as charge over the rights, licenses, authority, etc. has been taken by the Bank.

**33. Penalties impose by RBI**

During the financial year under review, no penalty was imposed by RBI on the Bank (Previous Year : Nil). However, penalty of INR 500 thousands has been levied by RBI on 26 April 2011 in exercise of powers under section 46(4) of the Banking Regulation Act, 1949 for contraventions under section 47A(1)(b).

**34. Income Tax**

The amount of provision for Income Tax made during the year is:

| **Particulars** | **31 Mar 11** | 31 Mar 10 |
|---|---|---|
| Provision for Current Tax | **1,193,867** | 1,893,610 |
| Provision for/(Write-back of) Deferred Tax | **(193,630)** | 26,175 |
| Provision for/(Write-back of) Fringe Benefit Tax | **-** | (441) |

# Schedule to Financial Statements (continued)

for the year ended 31 March 2011

(Currency: Indian rupees in thousands)

**35. Deferred Taxes**

The composition of Deferred Tax Asset / (Liability) is:

| Particulars | As at 31 Mar 11 | As at 31 Mar 10 |
|---|---|---|
| Depreciation on fixed assets | **13,412** | 10,428 |
| Provision on advances | **250,912** | 70,148 |
| Bonus deductible on payment basis u/s 43B | **44,259** | 37,674 |
| Provision for employee benefits | **14,524** | 11,521 |
| Amortisation of club membership fees | **(1,868)** | (2,161) |
| **Total** | **321,239** | 127,610 |

**36. Subordinated Debt**

During the year ended 31 March 2011, the Bank has raised Subordinated Debt of USD 400 Million. (Previous Year Nil).

# Schedule to Financial Statements (continued)

for the year ended 31 March 2011

(Currency: Indian rupees in thousands)

## 37. Maturity profile of assets and liabilities

| | 1 Day | 2-7 Days | 8-14 Days | 15-28 Days | 29 Days -3 Months | 3-6 Months | 6 Months -1 Year | 1-3 Years | 3-5 Years | Over 5 Years | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Deposits | 804,084 | 15,399,981 | 12,436,443 | 11,625,905 | 11,926,269 | 7,293,653 | 3,588,428 | 9,269,375 | 1,329,993 | 5,995 | 73,680,126 |
| | (555,323) | (8,102,577) | (10,294,286) | (6,405,692) | (21,041,533) | (6,233,300) | (5,284,596) | (6,294,131) | (2,126,647) | (32,509) | (66,370,594) |
| Loans & Advances | 3,672,963 | 5,883,222 | 8,977,317 | 7,883,652 | 12,845,034 | 14,128,409 | 7,875,983 | 6,873,254 | 4,260,553 | 3,121,643 | 75,522,030 |
| | (626,046) | (2,623,498) | (2,242,339) | (4,982,458) | (8,551,755) | (11,389,974) | (1,432,988) | (5,212,232) | (514,952) | (2,575,748) | (40,151,990) |
| Investments | 13,337,758 | 10,709,309 | 3,351,540 | 12,121,017 | 4,836,713 | 1,177,609 | 47,905,084 | 1,989,419 | 211,324 | 7,491,132 | 103,130,905 |
| | (487,640) | (30,610,149) | (5,133,405) | (4,037,063) | (8,954,204) | (21,312,600) | (19,812,537) | (2,536,711) | (432,597) | (7,518,616) | (100,862,522) |
| Borrowings | 324,376 | 31,114,403 | 5,262,138 | 13,308,953 | 3,790,465 | 11,959,048 | 6,243,300 | 17,234,452 | 17,838,000 | - | 107,075,135 |
| | (4) | (33,804,955) | (588,307) | (1,994,837) | (2,138,559) | (9,430,494) | (8,014,875) | (-) | (14,940,370) | (-) | (70,912,401) |
| Foreign Currency Assets (*) | 18,408,620 | 1,188,963 | 3,895,731 | 5,738,686 | 5,772,187 | 10,083,280 | 2,144 | 86,392 | - | 526,778 | 45,702,781 |
| | (1,042,490) | (172,161) | (988,461) | (2,104,117) | (4,696,724) | (3,196,253) | (-) | (2,500) | (-) | (530,381) | (12,733,087) |
| Foreign Currency Liabilities (*) | 2,023,938 | 2,623,412 | 5,253,430 | 5,386,918 | 3,925,692 | 12,102,076 | 6,827,459 | 16,974,198 | 17,838,390 | - | 72,955,513 |
| | (2,051,559) | (4,972,944) | (588,971) | (2,000,734) | (2,149,467) | (9,480,265) | (8,398,980) | (16,831) | (14,957,230) | (-) | (44,616,981) |

*(Figures in brackets indicate previous year figures)*

(*) Foreign currency assets and liabilities exclude off-balance sheet assets and liabilities.

# Schedule to Financial Statements (continued)

for the year ended 31 March 2011

(Currency: Indian rupees in thousands)

## 38. Segmental Reporting

The classification of exposures to the respective segments conforms to the guidelines issued by RBI vide DBOD.No.BP.BC.81/21.01.018/2006-07 dated April 18, 2007. Business Segments have been identified and reported taking into account, the target customer profile, the nature of products and services, the differing risks and returns, the organization structure, the internal business reporting system and the guidelines prescribed by RBI. In line with RBI guidelines, the Bank has identified "Treasury & Markets", "Corporate Wholesale Banking" and "Retail Banking" as the primary reporting segments.

**Treasury & Markets** activity encompasses trading in bonds, derivatives and foreign exchange operations on the proprietary account and for customers. Revenues under this section primarily comprise fees, gains / losses from trading and interest income from the investment portfolio.

**Corporate and Wholesale Banking** primarily comprise Corporate Banking, Enterprise & Mid-Market and Institutional Banking. Revenues for the segment are derived from interest and fee income on loans and advances, float income and fee based income for non funded advances.

**Retail Banking** activities encompasses raising of deposit from retail customers and offering advisory and distribution services.

Segment results are determined after considering the inter-unit notional charges/recoveries.

The expenses of the segments comprise funding costs, personnel costs and other direct and allocated overheads.

| | Treasury & Markets | Corporate/ Wholesale Banking | Retail Banking | Total |
|---|---|---|---|---|
| Segmental Revenue | 6,127,990 | 5,418,485 | 87,622 | 11,634,097 |
| | (5,829,526) | (4,475,921) | (41,320) | (10,346,767) |
| Total Revenue | | | | 11,634,097 |
| | | | | (10,346,767) |
| Results | 2,085,540 | 625,346 | -438,387 | 2,272,499 |
| | (4,135,626) | (798,507) | (-314,071) | (4,620,062) |
| Unallocated charges | | | | - |
| | | | | (-) |
| Operating Profit | | | | 2,272,499 |
| | | | | (4,620,062) |
| Tax | | | | 1,000,237 |
| | | | | (1,919,785) |
| Extraordinary profit/ loss | | | | - |
| | | | | (-) |
| **Net Profit after Tax** | | | | **1,272,262** |
| | | | | **(2,700,277)** |
| Segment Assets | 159,725,933 | 75,617,298 | 29,546 | 235,372,777 |
| | (145,775,182) | (40,287,470) | (-) | (186,062,652) |
| Unallocated assets | | | | 2,088,368 |
| | | | | (1,365,678) |
| **Total Assets** | | | | **237,461,145** |
| | | | | **(187,428,330)** |
| Segment Liabilities | 144,891,953 | 70,937,436 | 3,182,711 | 219,012,100 |
| | (105,817,524) | (61,719,452) | (2,888,207) | (170,425,183) |
| Unallocated Liabilities | | | | 471,266 |
| | | | | (297,630) |
| Capital and Reserves | | | | 17,977,779 |
| | | | | (16,705,517) |
| **Total Liabilities** | | | | **237,461,145** |
| | | | | **(187,428,330)** |

*(Figures in brackets indicate previous year figures)*

The Bank does not have overseas operations and operates only in the domestic segment.

# Schedule to Financial Statements (continued)

for the year ended 31 March 2011

(Currency: Indian rupees in thousands)

**39. Related Parties**

Related parties disclosures under AS 18 include:

**Parent**

- DBS Bank Limited, Singapore

**Associates**

- Overseas branches of DBS Bank Limited Singapore.
- Subsidiaries of DBS Bank Limited Singapore.
- DBS Bank Ltd. FII.
- DBS Cholamandalam Securities Limited.
- Cholamandalam DBS Finance Limited.
- DBS Cholamandalam Distribution Limited.

Pursuant to sale of shares of "Cholamandalam DBS Finance Limited" by DBS Bank Limited Singapore on 9 April 2010, the following have ceased to be an associate and the maximum amount outstanding disclosed below is for the relevant 9 days.

- DBS Cholamandalam Securities Limited
- Cholamandalam DBS Finance Limited
- DBS Cholamandalam Distribution Limited

**Key Management Personnel**

- Sanjiv Bhasin: General Manager and Chief Executive Officer

With regard to RBI Circular No. DBOD.BP.BC.No.3/21.04.018/2010-11 dated 1 July 2010, the Bank has not disclosed details pertaining to related parties where under a category, there is only one entity. Accordingly disclosures have only been made for transactions with "Associates / Joint Ventures".

| **Items / Related Party** | **31 Mar 2011** | 31 Mar 2010 |
|---|---|---|
| Deposit | **145,517** | 510 |
| | **(3,861,629)** | (10,620) |
| Placement of Deposits | **30,397** | 6,653 |
| | **(1,847,993)** | (7,715,340) |
| Securities Purchased | **4,540,614** | 5,036,004 |
| Securities Sold | **1,899,598** | 5,278,216 |
| Borrowings | **190,148** | 224,500 |
| | **(3,790,575)** | (673,500) |
| Investments | **-** | 270,000 |
| | **(270,000)** | (270,000) |
| Derivatives / Forward Contracts | **-** | 1,400,000 |
| | **(2,381,090)** | (43,151,288) |
| Interest paid | **285** | 57 |
| Interest received | **864** | 32,469 |

*(Figures in brackets indicate maximum outstanding during the year)*

In accordance with paragraph 5 of AS 18, the Bank has not disclosed certain significant related party transactions with Associates wherever it exceeds 10% of all related party transactions in that category as they are in the nature of banker-customer relationship.

# Schedule to Financial Statements (continued)

for the year ended 31 March 2011

(Currency: Indian rupees in thousands)

## 40. Operating Leases

Operating Leases are entered into for office premises and staff accommodation. The total of future minimum lease payments under non-cancellable operating leases as determined by the lease agreements for each of the following periods are as follows:

| | 31 Mar 2011 | 31 Mar 2010 |
|---|---|---|
| Not later than one year | **210,990** | 265,998 |
| Later than one year and not later than 5 years | **Nil** | 167,711 |
| Later than five years | **Nil** | Nil |

The lease payments for the year ended 31 March 2011 charged to the Profit and Loss Account amount to INR 381,177 thousand (Previous Year INR 364,481 thousands).

## 41. Employee Benefits

Provident Fund: The Bank's contribution to the Employees' Provident Fund was INR 35,793 thousands (Previous Year INR 25,876 thousand).

Compensated Absences: The Bank credited to the Profit & Loss Account an amount of INR 8,218 thousands as reversal of excess liability for compensated absences during the year ended 31 March 2011 (Previous Year charged to Profit & Loss Account an amount of INR 3,907 thousand).

Gratuity: The Bank's contribution to Life Insurance Corporation of India ('LIC') towards the Gratuity Fund for the year ended 31 March 2011 was INR 8,846 thousand (Previous Year INR 9,651 thousand).

The following table gives the disclosures regarding the Gratuity Scheme in accordance with AS 15 (Revised) as notified by the Companies (Accounting Standards) Rules 2006.

| (I) | Summary | 31 Mar 11 | 31 Mar 10 |
|---|---|---|---|
| | Defined Benefit Obligation | **46,350** | 28,393 |
| | Fair value of plan assets | **24,675** | 22,045 |
| | **Deficit/(surplus)** | **21,675** | 6,348 |
| | Effect of limit on plan surplus | **-** | - |
| | Unrecognized Past service Costs | **-** | - |
| | **Net deficit/(surplus)** | **21,675** | 6,348 |

| (II) | Changes in Defined Benefit Obligation during the Year | 31 Mar 11 | 31 Mar 10 |
|---|---|---|---|
| | Opening Defined Benefit Obligation | **28,393** | 20,013 |
| | Interest cost | **2,385** | 1,974 |
| | Current Service Cost | **14,392** | 9,218 |
| | Past Service Cost | **-** | - |
| | Actuarial (Gain) / Losses | **2,487** | (2,571) |
| | Benefits Paid | **(1,307)** | (241) |
| | Closing Defined Benefit Obligation | **46,350** | 28,393 |

| (III) | Changes in fair value of Plan Assets | 31 Mar 11 | 31 Mar 10 |
|---|---|---|---|
| | Opening Fair Value of Plan Assets | **15,317** | 11,435 |
| | Expected Return on Plan Assets | **1,564** | 937 |
| | Actuarial Gain / (Losses) | **255** | 263 |
| | Contributions by employer | **8,846** | 9,651 |
| | Benefits Paid | **(1,307)** | (241) |
| | Closing Fair Value of Plan Assets | **24,675** | 22,045 |

# Schedule to Financial Statements (continued)

for the year ended 31 March 2011

(Currency: Indian rupees in thousands)

| (IV) | Net Asset / (Liability) recognized in the Balance Sheet | 31 Mar 11 | 31 Mar 10 |
|---|---|---|---|
| | Present Value of obligations as at year end | 46,350 | 28,393 |
| | Fair Value of Plan Assets as at year end | 24,675 | 22,045 |
| | Net Asset / (Liability) recognised in the Balance Sheet | (21,675) | (6,348) |

| (V) | Amount recognized in the Profit & Loss Account | 31 Mar 11 | 31 Mar 10 |
|---|---|---|---|
| | Current Service Cost | 14,392 | 9,218 |
| | Interest on Defined Benefit Obligation | 2,385 | 1,974 |
| | Past service cost | - | - |
| | Expected Return on Plan Assets | (1,564) | (937) |
| | Effect of limit on plan surplus | - | - |
| | Net Actuarial Losses / (Gains) for the current year | 2,232 | (2,834) |
| | Amount recognized in the Profit & Loss Account | 17,445 | (2,230) |

| (VI) | Asset Information | 31 Mar 11 | 31 Mar 10 |
|---|---|---|---|
| | Insurer Managed Funds | 24,675 | 22,045 |

| (VII) | Experience adjustment | 31 Mar 11 | 31 Mar 10 | 31 Mar 09 | 31 Mar 08 | 31 Mar 07 |
|---|---|---|---|---|---|---|
| | Experience adjustment on Plan Liabilities: (Gain) \ Loss | (960) | 4,653 | (1,635) | - | - |
| | Experience adjustment on Plan Asset: (Gain) \ Loss | 255 | 263 | 191 | - | - |

Data in respect of experience adjustment for the year ended 31 March 2007 and 31 March 2008 is not available on account of very small employee count.

| (VIII) | Principal Actuarial Assumptions | 31 Mar 11 | 31 Mar 10 |
|---|---|---|---|
| | Discount Rate (per annum) | 8.3% | 8.40% |
| | Expected rate of return on assets (per annum) | 8% | 7.50% |
| | Salary Escalation Rate (per annum) | 7% | 10% for first 3 years & 7% thereafter |
| | Attrition Rate | 25% | 25% |

**42. Employee share based payments**

The eligible employees of the Bank have been granted stock awards under various plans, of equity shares of the ultimate holding company, DBS Bank Ltd – Singapore. As per the various plans, these stock awards vest in a graded manner over an average period of one to three years. During the year, the Bank has charged INR 39,711 thousand (Previous Year: INR 19,263 thousand) under the head “Payments to and provisions for employees” as compensation cost.

# Schedule to Financial Statements (continued)

for the year ended 31 March 2011

(Currency: Indian rupees in thousands)

## 43. Complaints

In terms of RBI Circular DBOD.BP.BC.No.3/21.04.018/2010-11 dated 1 July 2010, the details of customer complaints & ombudsman awards during the year are as under:

| Particulars | 31 Mar 11 | 31 Mar 10 |
|---|---|---|
| No. of complaints pending at the beginning of the year | **0** | 1 |
| No. of complaints received during the year | **62** | 76 |
| No. of complaints redressed during the year | **61** | 77 |
| No. of complaints pending at the end of the year | **1** | 0 |

| Particulars | 31 Mar 11 | 31 Mar 10 |
|---|---|---|
| No. of unimplemented awards at the beginning of the year | **-** | - |
| No. of awards passed by the Banking Ombudsmen during the year | **-** | - |
| No. of awards implemented during the year | **-** | - |
| No. of unimplemented awards at the end of the year | **-** | - |

## 44. Impairment of Assets

There is no impairment of assets and as such there is no provision required in terms of Accounting Standard 28 'Impairment of Assets'.

## 45. Contingent Liabilities

a) Liability on account of forward exchange contracts/Liability on account of outstanding Currency and Interest Rate Swap and Option contracts

The Bank enters into foreign exchange contracts, currency options/swaps, interest rate options/swaps and forward rate agreements on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/ principal in two currencies, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. Forward Rate Agreements are agreements to pay or receive a certain sum based on a differential interest rate on a notional amount for an agreed period. A foreign currency option is an agreement between two parties in which one grants to the other the right, but not the obligation, to buy or sell a specified amount of currency at a specific price within a specified time period or at a specified future time. The notional principal amounts of foreign exchange & derivatives contracts have been recorded as contingent liabilities.

b) Guarantees given on behalf of constituents:

As a part of its banking activities, the Bank issues guarantees on behalf of its customers. Generally, guarantees represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.

c) Acceptances, endorsements and other obligations:

These include documentary credit issued by the Bank on behalf of its customers and bills drawn by the Bank's customers that are accepted or endorsed by the Bank.

d) Other items for which the bank is contingently liable:

Other items represent estimated amount of contracts remaining to be executed on capital account and outstanding inter-bank repo transactions.

# Schedule to Financial Statements (continued)

for the year ended 31 March 2011

(Currency: Indian rupees in thousands)

**46. Disclosure under Micro, Small & Medium Enterprises Development Act, 2006**

The following disclosure is made as per the requirement under the Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED'):

| Particulars | 31 Mar 11 | 31 Mar 10 |
|---|---|---|
| Number of suppliers registered with competent authorities | - | - |
| Principal amount remaining unpaid to any supplier as at the year end | - | - |
| Interest due thereon | - | - |
| Amount of interest paid and payments made to the supplier beyond the appointed day during each accounting year | - | - |
| Amount of interest due and payable for period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act | - | - |
| Amount of interest accrued and remaining unpaid at the year end | - | - |

**47. Other Disclosures**

- The Bank did not hold any floating provision in its books as at 31 March 2011 (Previous Year : Nil).
- Operating Expenses – other expenditure includes computerization and related expenses INR 381,405 thousands (Previous Year: INR 38,876 thousands).
- Deposits as reported in Schedule 3 include deposits kept by customers as margin against credit facilities INR 548,367 thousands (Previous Year: INR 1,208,710 thousands).
- The Bank has transferred Nil (Previous Year: INR 117,208 thousands) standing in Investment Reserve account to Balance in Profit and Loss Account. Other than this there was no draw down on Reserves during the year ended 31 March 2011 (Previous Year: Nil).
- The Bank did not issue any Letter of Comforts (LoCs) during the year ended 31 March 2011 (Previous Year: Nil).
- There are no material prior period items included in the Profit and Loss account, which are required to be disclosed as per Accounting Standard 5, read with RBI guidelines (Previous Year: Nil).
- The Bank has not financed any margin trading activities nor securitised any assets during the current year (Previous Year: Nil).
- The Bank has earned an amount of INR 16,925 thousands in respect of Bancassurance business undertaken during the year ended 31 March 2011 (Previous Year: INR 23,813 thousands).
- Based on the assessment of the management, the Bank is not required to hold any provision under AS 29 - Provisions, Contingent liabilities and Contingent asset. (Previous Year – Nil).
- Previous year's figures have been regrouped / rearranged, wherever necessary.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

**Akeel Master**
Partner
Membership No: 046768

**Place:** Mumbai
**Date:** 12 May 2011

For **DBS Bank Ltd., India**

**Sanjiv Bhasin**
General Manager and
Chief Executive Officer

**Yazad Cooper**
Chief Financial Officer

**Place:** Mumbai
**Date:** 12 May 2011

# Basel II: Pillar 3 Disclosures

as at 31 March 2011

(Currency: Indian rupees in thousands)

## 1. Scope of application

***Qualitative Disclosures***

DBS Bank Ltd., India ('the Bank') operates in India as a branch of DBS Bank Ltd., Singapore a banking entity incorporated in Singapore with limited liability. As at 31 March 2011, the Bank has a presence of 12 branches across 12 cities. The Bank does not have any subsidiaries in India and the disclosures contained herein only pertains to the Bank.

***Quantitative Disclosures***

Capital Deficiencies: The Bank does not have any subsidiaries in India and is accordingly not required to prepare Consolidated Financial Statements. Also, it does not have any interest in Insurance Entities.

## 2. Capital Structure

***Qualitative Disclosures***

Composition of **Tier 1** Capital

- Interest free Capital funds injected by Head office
- Statutory Reserves calculated at 25% net profits of each year
- Capital retained in India for CRAR purposes and
- Capital Reserves

Composition of **Tier 2** Capital

- Subordinated Debt
- Provisions on Standard Assets/Derivatives,
- Provision for Country Risk and
- Excess Provision on sale of NPA

**Capital Funds**

| | **Particulars** | **31 Mar 11** |
|---|---|---|
| **A.** | **Tier I Capital** | **16,429,857** |
| | Of which | |
| | - Capital (Funds from Head Office) | **9,518,321** |
| | - Reserves and Surplus | **7,292,803** |
| | - Amounts deducted from Tier I capital ; | |
| | - Deferred Tax Asset | **321,239** |
| | - Adjustment for less liquid positions | **60,028** |
| **B.** | **Tier 2 Capital (net of deductions)** | **8,578,083** |
| | Of which | |
| B.1 | Subordinated debt eligible for inclusion in Tier 2 capital | |
| | - Total amount outstanding | **34,574,106** |
| | - Of which amount raised during the period | **17,838,000** |
| | - Amount eligible as capital funds | **8,214,929** |
| B.2 | Other Tier 2 Capital | |
| | - Provision for Standard Assets/Derivatives | **353,586** |
| | - Provision for Country Risk | **8,568** |
| | - Excess Provision on sale of NPA | **1,000** |
| **C.** | **Total Eligible Capital** | **25,007,940** |

# Basel II: Pillar 3 Disclosures (continued)

as at 31 March 2011

(Currency: Indian rupees in thousands)

| Particulars | 31 Mar 11 |
|---|---|
| Tier 1 Capital | **16,429,857** |
| Total Capital | **25,007,940** |
| Total Capital Required | **15,028,424** |
| Tier 1 Capital ratio | **9.84%** |
| Total Capital Adequacy ratio | **14.98%** |

**3. Capital Adequacy**

***Qualitative disclosures***

The CRAR of the Bank is 14.98 % as computed under Basel II norms. Under the earlier Basel I norms, the CRAR would have been 12.11%. The ratio under both frameworks is higher than the minimum regulatory CRAR requirement of 9%.

The Bank's capital management framework is guided by the existing capital position, proposed growth and strategic direction. Growth opportunities have resulted in an increasing and continuing need to focus on the effective management of risk, and commensurate capital to bear that risk. The Bank carefully assesses its growth opportunities relative to the capital available to support them, particularly in the light of the economic environment and capital requirements under Basel II. The Bank maintains a strong discipline over capital allocation and ensuring that returns on investment cover capital costs.

***Quantitative disclosures***

| | Particulars | 31 Mar 11 |
|---|---|---|
| A | Capital requirements for Credit Risk *(Standardised Approach)* | **10,050,075** |
| B | Capital requirements for Market Risk *(Standardised Duration Approach)* | |
| | - Interest rate risk | **3,652,940** |
| | - Foreign exchange risk | **270,000** |
| | - Equity risk | **-** |
| | - Unearned credit spreads | **284,856** |
| C | Capital requirements for Operational risk *(Basic Indicator Approach)* | **770,612** |
| D | Adjustment for Prudential Floor | **-** |
| E | Capital Adequacy Ratio of the Bank (%) | **14.98%** |
| F | Tier 1 CRAR (%) | **9.84%** |

**4. General Disclosures**

As part of overall corporate governance, the Group Board has approved a comprehensive Integrated Risk Framework covering risk governance for all risk types and for all entities within the Group, including India. This framework defines authority levels, oversight responsibilities, policy structures and risk appetite limits to manage the risks that arise in connection with the use of financial instruments. On a day-to-day basis, business units have primary responsibility for managing specific risk exposures while Group Risk exercises independent risk oversight on the Group as a whole. Group Risk Management is the central resource for quantifying and managing the portfolio of risks taken by the Group as a whole.

**A) General Disclosures for Credit Risk**

***Qualitative Disclosures***

**Credit Risk Management Policy**

The credit policies and basic procedures of the Bank relating to its lending activities are contained in the Local Credit / Loan Policy of the Bank, Core Credit Policy at Singapore and the Credit Manual. These are based on the general credit principles, directives / guidelines issued by the RBI from time to time as well as instructions and guidelines of DBS Bank Ltd, Singapore (hereinafter referred to as 'the Head Office'). In

# Basel II: Pillar 3 Disclosures (continued)

as at 31 March 2011

(Currency: Indian rupees in thousands)

the unlikely event of any conflict amongst the RBI guidelines and Head Office Guidelines, the more conservative policy / guideline is followed.

The Core Credit Policy and the Credit / Loan policy outlines the Bank's approach to Credit Risk Management and sets out the rules and guidelines under which the Bank would develop and grow its lending business. These policies provide guidance to the Bank's Corporate Banking, Enterprise / Mid-Market Banking and Financial Institutions Group to manage the growth of their portfolio of customer assets in line with the Bank's credit culture and profitability objectives, taking into account the capital needed to support the growth.

Supplementary policies to the main Core Credit Policy and the Credit / Loan policy have also been laid out, for certain types of lending and credit-related operations. These include subject - specific policies relating to risk ratings, Default policy, Specialized Lending etc., as well as guidelines for real-estate lending, NBFC lending, hedging of FX exposures, credit risk mitigation, sectoral and individual / group borrower limits, bridge loans, bill discounting, etc.

Responsibility for monitoring post-approval conditions and risk reporting resides with the Credit Control Unit (CCU), which reports in to Head of CCU in Singapore, with local oversight of the Head of Credit in India. The Risk Based Supervision (RBS) submission to RBI contains further details on the same.

Advances are classified into performing and non-performing advances (NPAs) as per RBI guidelines as well as MAS Guidelines. NPA's are further classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI as well as MAS, using the more conservative approach wherever there is a difference.

***Quantitative Disclosures***

**Credit Exposure**

| Particulars | 31 Mar 11 |
|---|---|
| Fund Based (Advances) | **76,123,047** |
| Non Fund Based * | **131,743,576** |

* The amount includes trade exposures and FX/derivative exposures.

The Bank does not have overseas operations and hence exposures are restricted to the domestic segment.

# Basel II: Pillar 3 Disclosures (continued)

as at 31 March 2011

(Currency: Indian rupees in thousands)

**Industry wise Exposures (Fund Based Advances)**

| Industry | 31 Mar 11 |
|---|---|
| Petrochemicals | 17,966,170 |
| NBFC's | 9,186,228 |
| Drugs and Pharmaceuticals | 5,628,214 |
| Real Estate | 5,357,597 |
| Construction | 4,727,951 |
| Metal & Metal Products | 3,940,435 |
| Engineering | 1,746,671 |
| Telecommunications | 1,624,987 |
| Textiles | 1,328,462 |
| Computer Software | 1,310,340 |
| Power | 1,194,983 |
| Electronics | 1,075,995 |
| Automobiles (including trucks) | 963,166 |
| Commodities | 922,391 |
| Iron & Steel | 872,249 |
| Petroleum | 670,252 |
| Chemicals, Dyes, Paints, etc | 527,851 |
| Paper & Paper Products | 490,885 |
| Mining | 392,142 |
| Electricity | 266,315 |
| Infrastructure | 150,048 |
| Cement | 77,854 |
| Food Processing | 31,065 |
| Residual advances | 1,227 |
| Other industries | 15,669,569 |
| **Total Credit Exposure** | **76,123,047** |

# Basel II: Pillar 3 Disclosures (continued)

as at 31 March 2011

(Currency: Indian rupees in thousands)

**Industry wise Exposures (Non - Fund Based)***

| Industry | 31 Mar 11 |
|---|---|
| Bank | 76,557,68 |
| Metal & Metal Products | 5,443,500 |
| NBFC's | 3,996,067 |
| Construction | 3,750,884 |
| Telecommunications | 2,654,363 |
| Textiles | 2,145,301 |
| Shipping | 2,015,885 |
| Drugs and Pharmaceuticals | 1,876,366 |
| Chemicals, Dyes, Paints, etc | 1,669,980 |
| Automobiles (including trucks) | 1,449,885 |
| Petrochemicals | 1,331,421 |
| Engineering | 1,212,652 |
| Iron & Steel | 1,196,150 |
| Paper & Paper Products | 640,496 |
| Cement | 630,110 |
| Electricity | 604,117 |
| Real Estate | 454,537 |
| Food Processing | 435,089 |
| Computer Software | 394,713 |
| Petroleum | 369,147 |
| Mining | 348,449 |
| Information & Technology/Commun. | 150,505 |
| Power | 134,529 |
| Trading | 64,813 |
| Sugar | 47,960 |
| Infrastructure | 45,077 |
| Electronics | 14,315 |
| Other industries | 22,109,583 |
| **Total Credit Exposure** | **131,743,576** |

* The amount includes trade exposures and Foreign exchange and derivative exposures.

# Basel II: Pillar 3 Disclosures (continued)

as at 31 March 2011

(Currency: Indian rupees in thousands)

**Maturity of Assets as at 31 March 2011**

| Particulars | Cash | Balance with RBI | Balance with Banks | Investments | Loans & Advances | Fixed Assets | Other Assets |
|---|---|---|---|---|---|---|---|
| 1 day | 28,527 | 27,838 | 4,210,424 | 13,308,162 | 3,672,963 | - | 94,270 |
| 2–7 days | - | 762,341 | - | 11,975,282 | 5,883,222 | - | 85,419 |
| 8–14 Days | - | 520,475 | - | 3,896,143 | 8,977,317 | - | 27,596 |
| 15–28 Days | - | 646,270 | 5,000,000 | 12,971,427 | 7,883,652 | - | 91,874 |
| 29 Days–3 Months | - | 406,263 | 2,900,000 | 5,367,478 | 12,845,034 | - | 140,188 |
| 3–6 Months | - | 172,991 | - | 1,513,408 | 14,128,409 | - | 396,964 |
| 6 Months – 1 Year | - | 65,316 | - | 48,043,719 | 7,875,983 | - | 521,718 |
| 1–3 Years | - | 284,673 | - | 2,401,728 | 6,873,254 | - | 17,011 |
| 3–5 Years | - | 42,273 | - | 268,664 | 4,260,553 | - | 1,903 |
| Over 5 Years | - | 1,747,102 | - | 3,384,894 | 3,121,643 | 378,520 | 40,238,254 |
| **Total** | **28,527** | **4,675,542** | **12,110,424** | **103,130,905** | **75,522,030** | **378,520** | **41,615,197** |

# Basel II: Pillar 3 Disclosures (continued)

as at 31 March 2011

(Currency: Indian rupees in thousands)

**Classification of NPAs**

| **Particulars** | **31 Mar 11** |
|---|---|
| Amount of NPAs (Gross) | **834,480** |
| Substandard | **570,366** |
| Doubtful 1 | **149,114** |
| Doubtful 2 | **115,000** |
| Doubtful 3 | **-** |
| Loss | **-** |

**Movement of NPAs and Provision for NPAs**

| **Particulars** | | **31 Mar 11** |
|---|---|---|
| **A** | Amount of NPAs (Gross) | **834,480** |
| **B** | Net NPAs | **233,463** |
| **C** | NPA Ratios | |
| | - Gross NPAs to gross advances (%) | **1.10%** |
| | - Net NPAs to net advances (%) | **0.31%** |
| **D** | Movement of NPAs (Gross) | |
| | - Opening balance as of the beginning of the financial year | **760,399** |
| | - Additions | **582,778** |
| | - Reductions on account of recoveries/ write - offs | **508,697** |
| | - Closing balance | **834,480** |
| **E** | Movement of Provision for NPAs | |
| | - Opening balance as of the beginning of the financial year | **360,447** |
| | - Provision made during the year | **638,412** |
| | - Write – offs / Write – back of excess provision | **397,842** |
| | - Closing balance | **601,017** |

Amount of Non-Performing Investments and amount of provisions held for non-performing investments: Nil

**Movement in Provisions Held towards Depreciation on Investments**

| **Particulars** | **As at 31 Mar 11** | As at 31 Mar 10 |
|---|---|---|
| Opening Balance | **471,576** | 8,306 |
| Add: Provisions Made During the Year | **75,915** | 463,270 |
| Less: Write off / Write back of Excess provisions during the Year | **-** | - |
| **Closing Balance** | **547,491** | 471,576 |

**5. Disclosures for Credit Risk: Portfolios subject to Standardised approach**

***Qualitative Disclosures***

Currently based on our clientele, ratings of the following agencies have been used i.e. CARE, CRISIL, Fitch and ICRA for all exposures. The Bank assigns Long term credit ratings accorded by the chosen credit rating agencies for assets which have a contractual maturity of more than one year. However, in accordance with the guidelines of RBI the Bank classifies all cash credit exposures as long term exposures and accordingly the long term ratings accorded by the chosen credit rating agencies are assigned. Currently the Bank uses issuer ratings. In accordance with RBI guidelines, for risk-weighting purposes, short-term ratings are deemed to be issue-specific.

# Basel II: Pillar 3 Disclosures (continued)

as at 31 March 2011

(Currency: Indian rupees in thousands)

***Quatitative Disclosures***

Categorization of Advances (outstanding) classified on the basis of Risk Weightage is provided below:

| Particulars | 31 Mar 11 |
|---|---|
| < 100 % Risk Weight | **52,401,832** |
| 100 % Risk Weight | **20,773,784** |
| > 100 % Risk Weight | **2,346,414** |
| **Total** | **75,522,030** |

**6. Disclosures for Credit Risk Mitigation on Standardised approach**

***Qualitative Disclosures***

This is detailed in our policy on Credit Risk Mitigation techniques and Collateral Management.

***Quantitative Disclosures***

As of 31 March 2011, the Bank has not availed of Credit Mitigation techniques.

**7. Disclosure on Securitisation for Standardised approach**

The Bank has not securitized any assets in the year under review.

**8. Disclosure on Market Risk in Trading book**

***Qualitative disclosures***

Market Risk arises from changes in value from changes in interest rates yields, foreign exchange rates, equity prices, commodity prices, credit spreads and the impact of changes in the correlations and volatilities of these risk factors. The Banks market risk appetite is determined by the Group Board of Directors, with detailed limit frameworks recommended by the appropriate risk committees. The Group Market Risk Committee, which reports into the Group Risk Executive Committee, oversees the market risk management infrastructure, sets market risk control limits and provides enterprise-wide oversight of all market risks and their management.

The Group's market risk framework identifies the types of the market risk to be covered, the risk metrics and methodologies to be used to capture such risk and the standards governing the management of market risk within the Group including the limit setting and independent model validation, monitoring and valuation.

The principal market risk appetite measures are Value at Risk (VaR) and stress loss. The VaR is supplemented by risk control measures, such as sensitivities to risk factors, including their volatilities, as well as loss triggers for management action.

VaR estimates the potential loss on the current portfolio assuming a specified time horizon and level of confidence. The trading book VaR methodology uses a historical simulation approach to forecast the Group's market risk. The methodology is also used to compute average tail loss metrics. VaR risk factor scenarios are aligned to parameters and market data used for valuation.

On a daily basis, the Bank computes VaR for each trading business unit and location, and at the Group level. The VaR forecasts are back-tested against the profit and loss of the trading book to monitor its predictive power.

To complement the VaR framework, regular stress testing is carried out to monitor the Banks vulnerability to shocks.

# Basel II: Pillar 3 Disclosures (continued)

as at 31 March 2011

(Currency: Indian rupees in thousands)

***Quantitative Disclosures***

**Capital Requirement for Market Risk**

| Particulars | 31 Mar 11 |
|---|---|
| Interest rate risk | 3,652,940 |
| Foreign exchange risk (including gold) | 270,000 |
| Equity position risk | - |

**9. Operational Risk**

***Qualitative Disclosures***

**Overview**

The Bank's Operational Risk Management (ORM) framework:

- "Defines" operational risk and the scope of its application;
- "Establishes" the dimensions of operational risk;
- "Provides" a framework for managing operational risk

Operational Risk is defined as "the risk of loss resulting from inadequate or failed internal processes, people, or systems, or from external events, including legal risk, but does not include strategic or reputation risk".

There are three dimensions of operational risk:

- Risk Cause
- Risk Event
- Risk Effect

**Policy Framework**

The Core Operational Risk Standards ('CORS') are a set of minimum operating control standards that apply to all Business Units / Support Units (BU's / SU's) to manage Operational Risk. Business specific policies and procedures are in line with these minimum control standards. The effective implementation of these standards in conjunction with corporate and business-specific policies provides the Bank with reasonable assurance that it is proactively managing its Operational Risk.

The policy covers guidelines for:

- Management oversight
- People management
- Transaction initiation, execution and maintenance
- Financial accounting control
- Legal, regulatory and market practice compliance
- Software, Systems Development and Infrastructure Management
- Information Security
- Physical Security
- Business Continuity Management

**Risk Mitigation Programs**

**Internal Controls**

The day-to-day management of Operational Risk is through maintenance of a comprehensive system of internal controls. An effective internal control system is a combination of a strong control environment and appropriate internal control procedures. These internal controls comprise – preventive, detective, escalation and corrective controls.

**Insurance Program (IP)**

The key objectives of the IP are to:

- Reduce financial loss of risk events via transfer of loss to external funding sources (insurers)
- Prepare the Bank to qualify for any potential reduction in Operational Risk Capital under Basel II

The IP provides cover for low-frequency high-impact loss incidents, while the low impact operational losses are managed through existing strong internal controls.

***Business Continuity Management (BCM)*** is a key Operational Risk program to minimize the impact of a business disruption, (irrespective of cause) and to provide an acceptable level of continuity until normal business operations are resumed. The BCM includes the following:

- Establishing ownership, roles and responsibilities
- Risk analysis
- Business impact analysis
- Recovery strategies
- Familiarisation of emergency response and crisis

# Basel II: Pillar 3 Disclosures (continued)

as at 31 March 2011

(Currency: Indian rupees in thousands)

management plans

- Regular review and maintenance
- Regular, complete and meaningful testing

**Tools and Mechanisms**

***Control Self Assessment:*** The process of Control Self Assessment comprises:

- Assessment of the quality and effectiveness of underlying controls
- Assessment of the level of compliance with relevant Core Operational Risk Standards and Minimum Acceptable Standards
- Identification of control weakness / material risks and establishment of appropriate action plans to address the same.

***Risk Event Management (REM)*** and reporting is for:

- Fostering a consistent and robust risk event management and reporting culture
- Building a risk event database that will be in line with Basel II requirements to progress towards a more sophisticated capital quantification approach for Operational Risk
- Providing management with regular reports on Operational Risk exposures at a granular level

***Key Risk Indicators (KRI)*** tracking and reporting:

- Serve as pre-warning signals of the changes in the level of risks and the effectiveness of controls
- Enabling prompt corrective action to be taken to prevent or reduce potential loss exposures through proper tracking and trend analysis of KRIs.

***New Product Approval (NPA)*** is a review / approval process to ensure that:

- New business initiatives and changes are introduced in a controlled manner
- Risks inherent in the new proposals are properly addressed
- Appropriate due diligence is conducted prior to the commencement of new business

**Approach for operational risk capital assessment**

The Bank currently follows the Basic Indicator Approach for Operational Risk capital assessment. Migration to advanced approaches will be as per the guidance from the Bank's Head Office in Singapore. Discussions on this migration are currently underway

**10. Interest rate risk in the banking book (IRRBB)**

***Qualitative Disclosures***

The Asset and Liability Committee ("India ALCO") oversees the structural interest rate risk and funding liquidity risk in the Bank. The ALCO ensures that the exposures are within prudent levels. Structural interest rate risk arises from mismatches in the interest rate profile of customer loans and deposits. This interest rate risk has several aspects: basis risk arising from different interest rate benchmarks, interest rate re-pricing risk, yield curve risks and embedded optionality. To monitor the structural interest rate risk, the tools used by DBS include re-pricing gap reports, sensitivity analysis and income simulations under various scenarios.

***Quantitative Disclosures***

The Bank uses a PV based approach to measure the impact on economic value for upward and downward rate shocks. This measures the potential change in economic value of the Bank for a unit change in interest rates. The change in economic value due to a unit change in interest rates are:-.

| Change in economic value due to a unit change in interest rates | INR Million |
|---|---|
| 31 March 2011 | 5.03 |

The impact on Earnings is computed as per the definition laid down in the ALM Policy of the Bank. Per the policy, Earnings-at-Risk (EaR) measures the interest rate risk from the earnings perspective. It is computed as an impact (over a 1-year horizon) of a 1% parallel shift in the yield curve on the Bank's earning. This is computed using the net IRS gaps for each bucket upto 1 year and the mark-to-market impact of 1% rise in interest rates on the AFS and HFT portfolio is to this. The aggregate of these approximates the net revenue impact of a 1% parallel shift (increase in interest rates) in the yield curve over a 1 year horizon and acts as a useful tool in the hands of the ALCO to monitor and assess the impact of Interest rate risk exposure of the Bank on its revenue.

EaR is computed at a Bank-wide level on the INR book. It is not computed individually for the trading and banking books. Hence the impact on Earnings for the Banking book alone cannot be

# Basel II: Pillar 3 Disclosures (continued)

as at 31 March 2011

(Currency: Indian rupees in thousands)

assessed. The EAR on the INR book (trading and banking) is:

| EaR on the INR book (trading and banking) | INR Million |
|---|---|
| 31 March 2011 | (753.70) |

# DBS INDIA BRANCH NETWORK


DBS. Living, Breathing Asia

Concept & design by: eggfirst.com

DBS Bank Ltd., India
3rd Floor, Fort House
221, Dr D. N. Road
Fort
Mumbai 400 001
India
Tel: (91 22) 6638 8888
Fax: (91 22) 6638 8899
www.dbsbank.in

China
Hong Kong
India
Indonesia
Japan
Korea
Malaysia
Myanmar
Singapore
Taiwan
Thailand
The Philippines
United Arab Emirates
United Kingdom
United States of America
Vietnam

**Branches:** Bengaluru, Chennai, Kolkata, Moradabad, Mumbai, Nashik, New Delhi, Pune, Salem, Surat, Cuddalore and Kolhapur.